

DAVIS COUNTY COMMUNITY SCHOOL DISTRICT

**Independent Auditor's Reports
Basic Financial Statements and
Supplementary Information
Schedule of Findings and Questioned Costs**

June 30, 2009

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Davis County Community School District
Board of Education and School District Officials
Year ended June 30, 2009

Name	Title	Term Expires
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Board of Education

Before September, 2008 Election

Marty Owen	President	2008
Kenneth Wuthrich	Vice President	2008
Rob Melvin	Board Member	2008
Susan Knapp	Board Member	2009
Edward Reese, Jr.	Board Member	2009
Rita Grob	Board Member	2010
Rod Lynch	Board Member	2010

After September, 2008 Election

Marty Owen	President	2011
Kenneth Wuthrich	Vice President	2011
Susan Knapp	Board Member	2009
Edward Reese, Jr.	Board Member	2009
Rita Grob	Board Member	2009 *
Rod Lynch	Board Member	2009 *
Rob Melvin	Board Member	2011

School District Officials

Sam Miller	Superintendent	2009
Betsy Bassett	District Secretary/Treasurer and Business Manager	2009
Rick Lynch	Attorney	Indefinite
Danielle Haindfield		

* Board term shortened per the district's transition plan for changing Board terms from three to four years in accordance with Chapter 39.24 of the Code of Iowa.



Independent Auditor's Report

To the Board of Education
Davis County Community School District
Bloomfield, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Davis County Community School District, Bloomfield, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Davis County Community School District at June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2009 on our consideration of Davis County Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and Budgetary Comparison Information on pages 5 through 11 and 37 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Davis County Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2008 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Van Maanen, Sietstra & Meyer, PC

Van Maanen, Sietstra & Meyer, PC
Certified Public Accountants

October 20, 2009

Davis County Community School District's Management Discussion & Analysis

Davis County Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Financial Highlights

- The state cut district aid by 1.5% or approximately \$82,000
- The District has a solvency ratio of 7.9%. Experts recommend a solvency ratio between 8-15%.
- The Board approved the construction of a new high school which will be paid using revenue from statewide one cent sales tax
- The District continued to support professional development for improvement in reading, mathematics, science, technology and character education.
- The Board of Education chose to purchase a used bus for sports trips from the PPEL fund instead of general fund.
- The District spent \$220,000 from the general fund in dual credit refunds to parents.
- The District did not receive any tuition reimbursement from parents for dual credit course at the high school.

Overview of the Financial Statements

This report consists of three parts: management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

The first two statements are *District-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.

The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements.

The *governmental funds statements* explain how basic services such as regular and special education were financed in the short term as well as what remains for future spending.

Proprietary funds statements offer short-term and long-term financial information about the activities the District operates like businesses, such as food services.

Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements of the District's budget for the year.

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two District-wide statements report the District's *net assets* and how they have changed. Net assets—the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.

To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the District's activities are divided into two categories.

Governmental activities: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.

Business-type activities: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program would be included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants.

The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, additional information at the bottom of the governmental funds statements explains the relationship differences between the two statements.

The District's governmental funds include the General Fund; Special Revenue Funds; and Debt Service Fund.

Proprietary funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide statements.

The District's enterprise fund, one type of proprietary fund, is the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, school nutrition program.

Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others, such as scholarships.

The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations. Currently, one scholarship is held in this fund.

Figure A-3 below provides a summary of the District's net assets at June 30, 2009, compared to June 30, 2008.

Figure A-3 Condensed Statement of Net Assets (Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Current and other assets	\$ 16,771	6,951	77	69	16,848	7,020	140.0%
Capital assets	4,778	4,727	112	111	4,890	4,838	1.1%
Total assets	21,549	11,678	189	180	21,738	11,858	83.3%
Long-term liabilities	10,345	1,037	-	-	10,345	1,037	897.6%
Other liabilities	5,072	4,773	7	4	5,079	4,777	6.3%
Total liabilities	15,417	5,810	7	4	15,424	5,814	165.3%
Net assets:							
Invested in capital assets, net of related debt	5,040	5,051	112	111	5,152	5,162	-0.2%
Restricted	584	541	70	65	654	606	7.9%
Unrestricted	508	276	-	-	508	276	84.1%
Total net assets	\$ 6,132	5,868	182	176	6,314	6,044	4.5%

Financial Analysis of the District as a Whole

The District has strong fund balances, however trend data is concerning. Experts in school finance recommend solvency ratio between 8-15%; the District is at 7.9% and has dropped five consecutive years and with the 10% across-the-board, it will certainly drop significantly at the end of fiscal 2010. The District has determined needs in several areas, and is carefully utilizing existing excess balances in fund to improve those areas. These areas include, but are not limited to, increasing student achievement, improving professional development, updating infrastructure needs and maintaining a quality staff.

Figure A-4 shows the change in net assets for the year ended June 30, 2009.

Figure A-4 Changes in Net Assets (Expressed in Thousands)						
	Governmental Activities		Business type Activities		Total District	
	Year ended June 30,		Year ended June 30,		Year ended June 30,	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for service	\$ 795	768	248	202	1,043	970
Operating grants, contributions and restricted interest	2,186	1,839	259	232	2,445	2,071
Capital grants, contributions and restricted interest	-	-	-	-	-	-
General revenues:						
Property tax	3,052	2,995	-	-	3,052	2,995
Local option sales and service tax	861	666	-	-	861	666
Unrestricted state grants	5,115	4,766	-	-	5,115	4,766
Unrestricted investment earnings	67	134	1	2	68	136
Other	175	42	-	-	175	42
Total revenues	12,251	11,210	508	436	12,759	11,646
Program expenses:						
Governmental activities:						
Instruction	7,612	7,189	-	-	7,612	7,189
Support services	3,360	3,413	-	-	3,360	3,413
Non-instructional programs	1,015	-	502	500	1,517	500
Other expenses	-	662	-	-	-	662
Total expenses	11,987	11,264	502	500	12,489	11,764
Change in net assets	\$ 264	(54)	6	(64)	270	(118)

In the 2008-09 school year, the District did considerable maintenance work, utilizing the Physical Plant and Equipment (PPEL) fund and sales tax revenues. In addition, the district has a commitment to early retirement payments.

The following table, A-5, presents the cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

Figure A-5 Total and Net Cost of Governmental Activities (Expressed in Thousands)		
	Total Cost of Services	Net Cost of Services
Instruction	\$ 7,612	5,055
Support services	3,360	3,359
Other expenses	1,015	592
Totals	\$ 11,987	9,006

The cost of all governmental activities this year was \$11,987,000 an increase of \$723,000 due to the dual credit refund and the increase in teacher quality compensation paid to teachers from the state of Iowa.

The portion of the cost financed by users of the District's programs was \$9,006,000.

The net portion of governmental activities was financed with \$3,912,580 in property and sales tax, \$5,115,219 in state sources.

Business-Type Activities

The District's business-type activity is the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income. Revenues of the District's business-type activities increased by \$71,238 to \$507,715 while expenses increased by \$2,134 to \$502,271.

The District had been able to maintain student lunch prices at the same level for several years with careful management and use of government commodities. Lunch prices did increase for the 2008-09 school year. The District has utilized investments to update equipment four consecutive years. Federal support for the lunch program was \$252,828 (free/reduced lunches).

Financial Analysis of the District's Funds

As previously noted, the Davis County Community School District uses fund accounting to ensure and demonstrate compliance with the finance-related legal requirements.

Governmental Fund Highlights

The General Fund balance was \$1,036,263, a net decrease of \$166,842 from the prior year. The decrease was due to the following factors:

- A refund to parents of \$220,000 for dual credit classes which was treated as a prior year adjustment (see footnote 10)
- A 1.5% ATB cut that resulted in a loss of \$82,000

The Physical Plant and Equipment Levy (PPEL) and sales tax revenues were utilized for many of the items of remodeling and updating done this past year on infrastructure needs as well as the purchase of buses.

Business-Type Highlights

The School Nutrition Fund change in net assets was \$5,444.

Budgetary Highlights

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice for all funds, except blended component units, internal service funds, permanent funds and agency funds. This is referred to as the certified budget. The certified budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's certified budget is prepared on a modified accrual basis.

School districts have two levels of budgetary control. One form of budgetary control exists through the "certified budget", which includes all funds of the District as noted above. This budget is certified with the County Auditor and Department of Management each year. Iowa school districts may not certify a general fund budget in excess of its spending authority.

The other level of budgetary control is the “unspent (maximum) authorized budget” and pertains only to the General Fund of the District. The maximum authorized budget is the total “spending authority” in the General Fund of the District. The unspent balance is a budgetary concept and does not mean the “actual General Fund cash”. It is imperative for patrons of District financial information to make this important distinction. The unspent balance is the amount of spending authority that is carried over into the next fiscal year. The unspent balance is a budgetary carryover and does not represent actual dollars (General Fund) or actual financial position (unreserved, undesignated General Fund balance) of the district.

The District was within the certified budget.

Capital Asset and Debt Administration

Figure A-6, provides a summary of the District’s capital.

Figure A-6 Capital Assets, net of Depreciation (Expressed in Thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2009	2008	2009	2008	2009	2008	2008-2009
Land	\$ 107	107	-	-	107	107	0.0%
Buildings	3,469	3,518	-	-	3,469	3,518	-1.4%
Improvements other than buildings	726	635	-	-	726	635	14.3%
Furniture and equipment	476	467	112	111	588	578	1.7%
Totals	\$ 4,778	4,727	112	111	4,890	4,838	1.1%

By the end of fiscal 2009, the District had invested \$4,778,132, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers and audio-visual equipment, transportation equipment and administrative offices.

Long Term Debt

Figure A-7 provides a summary of the District’s long term debt.

Figure A-7 Outstanding Long-Term Obligations (Expressed in Thousands)			
	Total District		Total Change
	June 30,		June 30,
	2009	2008	2007-2008
General obligation bonds	\$ -	255	-100.0%
Revenue bonds	9,695	-	N/A
Bond premiums	66	-	N/A
Early retirement	584	782	-25.3%
Totals	\$ 10,345	1,037	897.6%

At year-end, the District had \$10,345,000 in general obligation debt and other long-term debt outstanding. This represents a increase of \$9,308,000 from last year due to the financing of the new high school and early retirement obligations.

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- Changes in certified enrollment
- A 10% across-the-board cut resulting in \$544,000 reduction in state aid
- Eliminating Phase 1 funding
- A special education deficit of \$81,000
- Approved debt that has not had an impact yet on District's overall financial condition
- Employee contract settlements
- Future across-the-board cuts at the state level

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Betsy Bassett, Board Secretary/Business Manager, Davis County Community School District, 608 S. Washington Street, Bloomfield, Iowa 52537.

Davis County Community School District
Statement of Net Assets
June 30, 2009

	Governmental Activities	Business type Activities	Total
Assets			
Cash and cash equivalents	\$ 12,759,597	56,757	12,816,354
Receivables:			
Property tax:			
Delinquent	61,975	-	61,975
Succeeding year	3,320,768	-	3,320,768
Accounts	22,203	622	22,825
Due from other governments	442,027	-	442,027
Inventories	-	19,204	19,204
Bond issuance costs	164,449	-	164,449
Capital assets, net of accumulated depreciation	4,778,132	112,319	4,890,451
Total assets	21,549,151	188,902	21,738,053
Liabilities			
Excess of warrants over bank balance	184,038	-	184,038
Accounts payable	442,134	848	442,982
Salaries and benefits payable	961,103	6,391	967,494
Due to other governments	8,478	-	8,478
Accrued interest payable	41,143	-	41,143
Unearned revenue:			
Succeeding year property tax	3,320,768	-	3,320,768
Other	114,099	-	114,099
Long-term liabilities:			
Portion due within one year:			
Early retirement	181,601	-	181,601
Portion due after one year:			
Bond premiums	66,484	-	66,484
Early retirement	402,235	-	402,235
Revenue bonds	9,695,000	-	9,695,000
Total liabilities	15,417,083	7,239	15,424,322
Net assets			
Invested in capital assets, net of related debt	5,040,145	112,319	5,152,464
Restricted for:			
Management levy	132,923	-	132,923
Physical plant and equipment levy	72,594	-	72,594
Other special revenue purposes	182,091	-	182,091
Categorical funding	196,204	-	196,204
Unrestricted	508,111	69,344	577,455
Total net assets	\$ 6,132,068	181,663	6,313,731

See Notes to Financial Statements.

Exhibit B

Davis County Community School District
Statement of Activities
Year ended June 30, 2009

	Program Revenues			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs				
Governmental activities:				
Instruction:				
Regular	\$ 5,675,478	400,470	1,094,775	-
Special	1,444,327	96,452	640,294	-
Other	492,310	297,840	27,290	-
	7,612,115	794,762	1,762,359	-
Support Service:				
Student	262,243	-	-	-
Instructional staff	200,984	-	-	-
Administration	1,399,753	-	-	-
Operating and maintenance of plant	720,881	-	-	-
Transportation	776,229	-	1,471	-
	3,360,090	-	1,471	-
Other expenditures:				
Facilities acquisition	551,026	-	-	-
Long-term debt interest	41,143	-	-	-
AEA flowthrough	422,045	-	422,045	-
	1,014,214	-	422,045	-
Total governmental activities	11,986,419	794,762	2,185,875	-
Business type activities:				
Non-instructional programs:				
Nutrition services	502,271	247,888	258,992	-
	502,271	247,888	258,992	-
Total	\$ 12,488,690	1,042,650	2,444,867	-

Exhibit B

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(4,180,233)	-	(4,180,233)
(707,581)	-	(707,581)
(167,180)	-	(167,180)
(5,054,994)	-	(5,054,994)
(262,243)	-	(262,243)
(200,984)	-	(200,984)
(1,399,753)	-	(1,399,753)
(720,881)	-	(720,881)
(774,758)	-	(774,758)
(3,358,619)	-	(3,358,619)
(551,026)	-	(551,026)
(41,143)	-	(41,143)
-	-	-
(592,169)	-	(592,169)
(9,005,782)	-	(9,005,782)
-	4,609	4,609
-	4,609	4,609
(9,005,782)	4,609	(9,001,173)

Exhibit B

Davis County Community School District
Statement of Activities
Year ended June 30, 2009

	Program Revenues			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Totals from previous pages	\$ 12,488,690	1,042,650	2,444,867	-
General Revenues:				
Property tax levied for:				
General purposes				
Capital outlay				
Statewide sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Contributions not restricted to specific programs				
Total general revenues				
Change in net assets				
Net assets beginning of year, as restated				
Net assets end of year				
See Notes to Financial Statements.				

Exhibit B

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
(9,005,782)	4,609	(9,001,173)
2,975,783	-	2,975,783
76,162	-	76,162
860,635	-	860,635
5,115,219	-	5,115,219
67,342	835	68,177
111,752	-	111,752
63,250	-	63,250
9,270,143	835	9,270,978
264,361	5,444	269,805
5,867,707	176,219	6,043,926
\$ 6,132,068	181,663	6,313,731

Exhibit C

Davis County Community School District
Balance Sheet
Governmental Funds
June 30, 2009

	General	Management	Debt Service	Capital Projects	Non-Major	Total
Assets						
Cash and pooled investments	\$ 2,151,260	309,191	13,465	9,986,797	298,884	12,759,597
Receivables:						
Property tax:						
Delinquent	54,833	5,489	-	-	1,653	61,975
Succeeding year	2,968,019	272,000	-	-	80,749	3,320,768
Accounts	21,239	-	-	-	964	22,203
Due from other governments	266,303	-	-	175,724	-	442,027
Total assets	\$ 5,461,654	586,680	13,465	10,162,521	382,250	16,606,570
Liabilities and Fund Balances						
Liabilities:						
Excess of outstanding warrants over bank balance	\$ 184,038	-	-	-	-	184,038
Accounts payable	214,937	156	-	180,225	46,816	442,134
Salaries and benefits payable	961,103	-	-	-	-	961,103
Due to other governments	8,478	-	-	-	-	8,478
Early retirement payable	-	181,601	-	-	-	181,601
Deferred revenue:						
Succeeding year property tax	2,968,019	272,000	-	-	80,749	3,320,768
Other	88,816	-	-	25,283	-	114,099
Total liabilities	4,425,391	453,757	-	205,508	127,565	5,212,221
Fund balances:						
Reserved for:						
Categorical funding	196,204	-	-	-	-	196,204
Debt service	-	-	13,465	803,030	-	816,495
Unreserved	840,059	132,923	-	9,153,983	254,685	10,381,650
Total fund balances	1,036,263	132,923	13,465	9,957,013	254,685	11,394,349
Total liabilities and fund balances	\$ 5,461,654	586,680	13,465	10,162,521	382,250	16,606,570

See Notes to Financial Statements.

Exhibit D

**Davis County Community School District
Reconciliation of the Balance Sheet - Governmental Funds
To the Statement of Net Assets
June 30, 2009**

Total fund balances of governmental funds	\$ 11,394,349
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***Amounts reported for governmental activities in the
Statement of Net Assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	4,778,132
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Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(41,143)
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Long-term liabilities, including bonds payable and early retirement, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Those liabilities consist of:

Revenue bonds payable	(9,695,000)	
Bond issuance costs	164,449	
Bond premiums	(66,484)	
Early retirement	(402,235)	(9,999,270)

Net assets of governmental activities	\$ 6,132,068
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See Notes to Financial Statements.

Exhibit E

Davis County Community School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year ended June 30, 2009

	General	Management	Debt Service	Capital Projects	Non-Major	Total
Revenues:						
Local sources:						
Local tax	\$ 2,704,147	271,636	-	860,635	76,162	3,912,580
Tuition	450,219	-	-	-	-	450,219
Other	160,215	739	51	19,170	350,617	530,792
State sources	6,539,708	-	-	-	-	6,539,708
Federal sources	761,386	-	-	-	-	761,386
Total revenues	10,615,675	272,375	51	879,805	426,779	12,194,685
Expenditures:						
Current:						
Instruction:						
Regular	5,507,085	163,129	-	-	-	5,670,214
Special	1,430,994	-	-	-	-	1,430,994
Other	179,505	-	-	-	294,830	474,335
	7,117,584	163,129	-	-	294,830	7,575,543
Support services:						
Student	261,647	-	-	-	-	261,647
Instructional staff	180,304	-	-	-	-	180,304
Administration	1,195,805	141,304	-	-	95,095	1,432,204
Operation and maintenance of plant	718,539	-	-	-	-	718,539
Transportation	667,096	1,697	-	121,077	-	789,870
	3,023,391	143,001	-	121,077	95,095	3,382,564
Other expenditures:						
Facilities acquisition	-	-	-	761,271	31,991	793,262
Long-term debt:						
Principal	-	-	255,000	-	-	255,000
Interest and fiscal charges	-	-	659	-	-	659
Bond issuance costs	-	-	-	172,280	-	172,280
AEA flowthrough	422,045	-	-	-	-	422,045
	422,045	-	255,659	933,551	31,991	1,643,246
Total expenditures	10,563,020	306,130	255,659	1,054,628	421,916	12,601,353
Excess (deficiency) of revenues over (under) expenditures	52,655	(33,755)	(255,608)	(174,823)	4,863	(406,668)
Other financing sources (uses):						
Sale of equipment	56,095	-	-	-	-	56,095
Revenue bonds issued	-	-	-	9,695,000	-	9,695,000
Premium on bonds	-	-	-	69,650	-	69,650
Operating transfers in	-	-	255,659	43,295	12,800	311,754
Operating transfers out	(56,095)	-	-	(255,659)	-	(311,754)
Total other financing sources	-	-	255,659	9,552,286	12,800	9,820,745
Net change in fund balances	52,655	(33,755)	51	9,377,463	17,663	9,414,077
Fund balances beginning of year, as restated	983,608	166,678	13,414	579,550	237,022	1,980,272
Fund balances end of year	\$ 1,036,263	132,923	13,465	9,957,013	254,685	11,394,349

See Notes to Financial Statements.

Exhibit F

**Davis County Community School District
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds -
To the Statement of Activities
Year ended June 30, 2009**

Net change in fund balances - total governmental funds **\$ 9,414,077**

***Amounts reported for governmental activities in the
statement of activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 375,768	
Depreciation expense	<u>(324,375)</u>	51,393

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Also, governmental funds report the effect of issuance costs and premiums, whereas these amounts are deferred in and amortized in the Statement of Activities. The amounts in the current year are as follows:

Proceeds from issuing revenue bonds	(9,695,000)	
Premiums on revenue bond issuance	(69,650)	
Payment of revenue bond issuance costs	172,280	
Amortization of bond issuance costs	(7,831)	
Amortization of bond premiums	3,166	
Repayments of bond principal	<u>255,000</u>	(9,342,035)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

(40,484)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement		<u>181,410</u>
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Change in net assets of governmental activities

\$ 264,361

See Notes to Financial Statements.

Exhibit G

Davis County Community School District
Statement of Net Assets
Proprietary Fund
June 30, 2009

	School Nutrition
Assets	
Cash and cash equivalents	\$ 56,757
Accounts receivable	622
Inventories	19,204
Capital assets, net of accumulated depreciation	112,319
Total assets	<u>188,902</u>
Liabilities	
Accounts payable	848
Salaries and benefits payable	6,391
Total liabilities	<u>7,239</u>
Net Assets	
Invested in capital assets, net of related debt	112,319
Unrestricted	69,344
Total net assets	<u><u>\$ 181,663</u></u>

See Notes to Financial Statements.

Exhibit H

Davis County Community School District
Statement of Revenues, Expenses and changes in Net Assets
Proprietary Fund
Year ended June 30, 2009

	<u>School Nutrition</u>
Operating revenue:	
Local sources:	
Charges for service	<u>\$ 247,888</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	187,214
Benefits	41,422
Purchased services	7,692
Supplies	249,754
Depreciation	15,009
Miscellaneous	1,180
Total operating expenses	<u>502,271</u>
Operating loss	<u>(254,383)</u>
Non-operating revenues:	
Interest income	835
State sources	6,164
Federal sources	252,828
	<u>259,827</u>
Net income	5,444
Net assets beginning of year	<u>176,219</u>
Net assets end of year	<u><u>\$ 181,663</u></u>

See Notes to Financial Statements.

Exhibit I

Davis County Community School District
Statement of Cash Flows
Proprietary Fund
Year ended June 30, 2009

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 247,266
Cash payments to employees for services	(223,381)
Cash payments to suppliers for goods or services	(216,375)
Net cash used by operating activities	<u>(192,490)</u>
Cash flows from non-capital financing activities:	
State grants received	6,164
Federal grants received	211,541
Net cash provided by non-capital financing activities	<u>217,705</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(16,529)
Net cash used in capital and related financing activities	<u>(16,529)</u>
Cash flows from investing activities:	
Interest on investments	835
Net cash used by investing activities	<u>835</u>
Net increase in cash and cash equivalents	9,521
Cash and cash equivalents at beginning of year	<u>47,236</u>
Cash and cash equivalents at end of year	<u><u>\$ 56,757</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (254,383)
Adjustments to reconcile operating loss to	
net cash used by operating activities:	
Commodities used	41,287
Depreciation	15,009
Decrease in inventories	2,639
(Increase) in accounts receivable	(622)
(Decrease) in accounts payable	(1,675)
Increase in salaries and benefits payable	5,255
Net cash used by operating activities	<u><u>\$ (192,490)</u></u>
Reconciliation of cash and cash equivalents at year end to	
 specific assets included on Statement of Net Assets:	
Current assets:	
Cash and cash equivalents	\$ 56,757
Cash and cash equivalents at year end	<u><u>\$ 56,757</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2009, the District received \$41,287 of federal commodities.

See Notes to Financial Statements.

Exhibit J

Davis County Community School District
Statement of Fiduciary Net Assets
Fiduciary Fund
June 30, 2009

	Private Purpose Trust Scholarship
Assets	
Cash and pooled investments	\$ 3,531
Total assets	\$ 3,531
Net Assets	
Reserved for scholarships	\$ 3,531

See Notes to Financial Statements.

Exhibit K

Davis County Community School District
Statement of Changes in Fiduciary Net Assets
Fiduciary Fund
Year ended June 30, 2009

	<u>Private Purpose</u> <u>Trust</u> <u>Scholarship</u>
Additions:	
Local sources:	
Interest on investments	<u>\$ 113</u>
Change in net assets	113
Net assets beginning of year	<u>3,418</u>
Net assets end of year	<u><u>\$ 3,531</u></u>

See Notes to Financial Statements.

(1) **Summary of Significant Accounting Policies**

Davis County Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Bloomfield, Iowa and the predominate agricultural territory in portions of Davis and Van Buren counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Davis County Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Davis County Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Davis County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

Fund accounting - The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, reserves, fund balance/net assets, revenues and expenditures or expenses, as appropriate. The District has the following funds:

Governmental Fund Types: Governmental fund types are those funds through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

General Fund: The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

Management Fund: This fund is authorized by Iowa Code Section 298.4 and accounts for transactions related to unemployment, early retirement, judgments and settlements and the cost of liability insurance as it relates to property and casualty.

Debt Service Fund: The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

Capital Projects Fund: The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The other governmental funds of the District are considered non-major and are as follows:

Special Revenue Funds: The Special Revenue Funds account for the revenue sources that are legally restricted to expenditures for specific purposes. These funds consist of the following:

Student Activity Funds: This fund accounts for transactions that occur due to student-related activities from groups and organizations such as athletic and activity events, fundraising and other extra-curricular or co-curricular activities.

Physical Plant and Equipment Levy (PPEL) Fund: This fund is authorized by Iowa Code 298.2 and accounts for transactions related to the improvement of facilities and grounds, construction of school houses, certain equipment expenditures and other expenditures authorized in Iowa Code 298.3.

Proprietary Fund Types: Proprietary fund types are used to account for the District's ongoing organizations and activities which are similar to those often found in the private sector. The measurement focus is upon income determination, financial position and cash flows. The following are the District's proprietary funds:

Enterprise Funds: Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the District has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the District has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements, issued on or before November 30, 1989, except for those pronouncements which conflict with or contradict GASB pronouncements.

The following enterprise fund of the District is considered non-major:

School Nutrition Fund: This fund accounts for transactions related to the school lunch, breakfast and summer food programs authorized by Iowa Code 283A.

Fiduciary Fund Types: Fiduciary funds account for assets held by the District in a trustee or agency capacity for the benefit of others and cannot be used to support District activities. The District has the following fiduciary fund type:

Private Purpose Trust Fund: These funds account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2007 assessed property valuations; is for the tax accrual period July 1, 2008 through June 30, 2009 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2008.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	3,000
Furniture and equipment:	
School Nutrition Fund equipment	300
Other furniture and equipment	2,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred and Unearned Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as the succeeding year's property tax receivable.

Unearned revenue on the Statement of Net Assets consists of unspent grant proceeds as well as the succeeding year's property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, expenditures exceeded the amounts budgeted in the instruction and non-instructional functional areas.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2009, the District had investments as follows:

Success Bank Certificate of Deposit	\$	1,000,000
Iowa Schools Joint Investment Trust:		
Diversified Portfolio		8,871,612
Goldman Sachs Financial Square Treasury		
Obligations Fund		803,030
	\$	<u>10,674,642</u>

The investments in the Iowa School Joint Investment Trust are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa School Joint Investment Trust and Goldman Sachs Financial Square Treasury Obligations were all rated Aaa by Moody's Investors Service.

(3) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 255,659
Capital Projects	General	43,295
Special Revenue:		
Physical Plant and Equipment Levy	General	12,800
		<u>\$ 311,754</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Davis County Community School District
Notes to Financial Statements
June 30, 2009

(4) Capital Assets

Capital assets activity for the year ended June 30, 2009 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 107,275	-	-	107,275
Total capital assets not being depreciated	107,275	-	-	107,275
Capital assets being depreciated:				
Buildings	6,269,491	75,000	-	6,344,491
Improvements other than buildings	1,610,802	167,236	-	1,778,038
Furniture and equipment	1,982,088	133,532	81,551	2,034,069
Total capital assets being depreciated	9,862,381	375,768	81,551	10,156,598
Less accumulated depreciation for:				
Buildings	2,752,193	123,190	-	2,875,383
Improvements other than buildings	975,781	76,844	-	1,052,625
Furniture and equipment	1,514,943	124,341	81,551	1,557,733
Total accumulated depreciation	5,242,917	324,375	81,551	5,485,741
Total capital assets being depreciated, net	4,619,464	51,393	-	4,670,857
Governmental activities capital assets, net	\$ 4,726,739	51,393	-	4,778,132
Business type activities:				
Furniture and equipment	\$ 242,171	16,529	-	258,700
Less accumulated depreciation	131,372	15,009	-	146,381
Business type activities capital assets, net	\$ 110,799	1,520	-	112,319

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 146,764
Special	13,333
Other	17,975

Support services:

Student	596
Instructional staff	20,680
Administration	13,631
Operation and maintenance of plant	5,037
Transportation	106,359
	324,375

Unallocated

Total depreciation expense - governmental activities	\$ 324,375
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Business type activities:

Food service operations	\$ 15,009
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Davis County Community School District
Notes to Financial Statements
June 30, 2009

(5) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 255,000	-	255,000	-	-
Revenue bonds	-	9,695,000	-	9,695,000	-
Early retirement	781,626	-	197,790	583,836	181,601
Total	\$ 1,036,626	9,695,000	452,790	10,278,836	181,601

Revenue Bonds

Details of the District's June 30, 2009 local option sales and services tax revenue bonded indebtedness are as follows:

Bond Issue of June 22, 2009					
Year Ending June 30,	Interest Rates	Principal	Interest	Total	
2010	4.50%	\$ -	246,858	246,858	
2011	4.50	170,000	466,380	636,380	
2012	4.50	265,000	456,593	721,593	
2013	4.50	280,000	444,330	724,330	
2014	4.50	365,000	429,817	794,817	
2015	4.50	380,000	413,055	793,055	
2016	4.50	395,000	395,618	790,618	
2017	4.50	415,000	377,392	792,392	
2018	4.50	430,000	358,380	788,380	
2019	4.30	445,000	339,138	784,138	
2020	4.50	465,000	319,107	784,107	
2021	4.60	485,000	297,490	782,490	
2022	5.00	510,000	273,585	783,585	
2023	5.00	530,000	247,585	777,585	
2024	5.00	555,000	220,460	775,460	
2025	5.00	585,000	191,960	776,960	
2026	5.00	620,000	161,835	781,835	
2027	5.20	650,000	129,435	779,435	
2028	5.20	680,000	94,855	774,855	
2029	5.25	720,000	58,275	778,275	
2030	5.25	750,000	19,687	769,687	
Total		\$ 9,695,000	5,941,835	15,636,835	

The District has pledged future local option (statewide) sales and service tax revenues to repay the \$9,695,000 of bonds issued in June, 2009. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the local option (statewide) sales and services tax revenues received by the District and are payable through 2030. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. The total principal and interest remaining to be paid on the notes is \$15,636,835. For the current year, no principal and interest was paid on the bonds and total statewide sales and services tax revenues were \$860,635.

The resolution providing for the issuance of the local option sales and services tax revenue bonds includes the following provisions:

- a) \$803,030 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the local option (statewide) sales and services tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.10% of their annual covered salary and the District is required to contribute 6.35% of annual covered salary. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$462,349, \$435,221, and \$394,035, respectively, equal to the required contributions for each year.

(7) Termination Benefits

The District offered a voluntary early retirement plan for all employees. Eligible employees must have been at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must have completed an application which was required to be approved by the Board of Education. An eligible employee in the early retirement program may have elected to receive either option 1 or option 2. The option elected was stated in the application. Option 1 allowed the District to pay the retiree a monthly payment beginning the first month of retirement and continuing to a maximum of 120 months. Such money payment was to be in an amount equal to .010 times the annual salary received by the retiree during the fiscal year immediately preceding retirement. Option 2 allowed the retiree to continue in the District's group health insurance covering the employee at the time of their retirement through the month in which the retiree attained 65 years of age. Early retirement benefits paid during the year ended June 30, 2009, totaled \$197,981. This program expired after the 2003-04 fiscal year and has not been renewed.

(8) Risk Management

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$422,045 for the year ended June 30, 2009 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(10) Restatements

The total beginning net assets of governmental activities and the beginning General Fund balance were decreased by \$219,497 due to the District being required to refund dual credit tuition charged to patrons of the District over approximately the last eight years.

(11) Subsequent Event

On October 8, 2009, Governor Chet Culver announced a 10 percent across-the-board cut to state general fund appropriations effective immediately. The cut is a reduction of approximately \$238.5 million to Iowa schools and approximately \$800,000 to the Iowa Department of Education. What this will mean to Iowa school districts is still unfolding.

Davis County Community School District
Budgetary Comparison Schedule of Revenues, Expenditures and
Changes in Balances - Budget and Actual -
All Governmental Funds and Proprietary Fund
Required Supplementary Information
Year ended June 30, 2009

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts		Variance Favorable (Unfavorable)
				Original	Final	
Revenues:						
Local sources	\$ 4,893,591	248,723	5,142,314	4,929,833	4,929,833	212,481
State sources	6,539,708	6,164	6,545,872	6,697,170	6,697,170	(151,298)
Federal sources	761,386	252,828	1,014,214	828,020	828,020	186,194
Total revenues	12,194,685	507,715	12,702,400	12,455,023	12,455,023	247,377
Expenditures:						
Instruction	7,575,543	-	7,575,543	7,547,101	7,547,101	(28,442)
Support services	3,382,564	-	3,382,564	4,264,260	3,972,260	589,696
Noninstructional programs	-	502,271	502,271	500,000	500,000	(2,271)
Other expenditures	1,643,246	-	1,643,246	1,229,147	1,669,147	25,901
Total expenditures	12,601,353	502,271	13,103,624	13,540,508	13,688,508	584,884
Excess (deficiency) of revenues over (under) expenditures	(406,668)	5,444	(401,224)	(1,085,485)	(1,233,485)	
Other financing sources, net	9,820,745	-	9,820,745	-	-	
Excess (deficiency) of revenues and other financing sources over (under) expenditures	9,414,077	5,444	9,419,521	(1,085,485)	(1,233,485)	
Balances beginning of year, as restated	1,980,272	176,219	2,156,491	2,641,098	2,641,098	
Balances end of year	\$ 11,394,349	181,663	11,576,012	1,555,613	1,407,613	

See Notes to Required Supplementary Information.

Davis County Community School District
Notes To Required Supplementary Information - Budgetary Reporting
Year Ended June 30, 2009

This budgetary comparison is presented as Required Supplementary Information in accordance with *Governmental Accounting Standards* Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment, increasing budgeted expenditures by \$148,000.

During the year ended June 30, 2009, expenditures exceeded the amounts budgeted in the instruction and non-instructional functional areas.

Schedule 1

Davis County Community School District
Combining Balance Sheet
Non-major Governmental Funds
June 30, 2009

	Special Revenue		
	Student Activity	Physical Plant and Equipment Levy	Total
Assets			
Cash and pooled investments	\$ 186,652	112,232	298,884
Receivables:			
Property tax:			
Delinquent	-	1,653	1,653
Succeeding year	-	80,749	80,749
Accounts	864	100	964
Total assets	\$ 187,516	194,734	382,250
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 5,425	41,391	46,816
Deferred revenue:			
Succeeding year property tax	-	80,749	80,749
Total liabilities	5,425	122,140	127,565
Unreserved fund balances	182,091	72,594	254,685
Total liabilities and fund balances	\$ 187,516	194,734	382,250

See accompanying independent auditor's report.

Schedule 2

Davis County Community School District
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds
Year ended June 30, 2009

	Special Revenue		
	Physical Plant and Equipment		
	Student Activity	Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	76,162	76,162
Other	318,078	32,539	350,617
Total revenues	318,078	108,701	426,779
Expenditures:			
Current:			
Instruction:			
Other	293,353	1,477	294,830
Support services:			
Administration	-	95,095	95,095
Other expenditures:			
Facilities acquisition	-	31,991	31,991
Total expenditures	293,353	128,563	421,916
Excess (deficiency) of revenues over (under) expenditures	24,725	(19,862)	4,863
Other financing sources:			
Operating transfers in	-	12,800	12,800
Total other financing sources	-	12,800	12,800
Excess (deficiency) of revenues and other financing sources over (under) expenditures	24,725	(7,062)	17,663
Fund balance beginning of year	157,366	79,656	237,022
Fund balance end of year	\$ 182,091	72,594	254,685

See accompanying independent auditor's report.

Schedule 3

Davis County Community School District
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year ended June 30, 2009

Account	Balance Beginning of Year	Intrafund Transfers	Revenues	Expenditures	Balance End of Year
Senior High					
Yearbook	\$ 13,525	225	8,344	7,767	14,327
Concessions	16,499	(15,647)	24,849	15,603	10,098
Mustang Media	(326)	1,710	2,328	3,333	379
Mustang Pride Day	177	(64)	150	193	70
Athletics	13,209	(8,945)	71,843	48,412	27,695
Football	2,604	1,750	12,922	12,339	4,937
Baseball	2,255	605	3,701	5,086	1,475
Boys' Track	828	925	785	1,792	746
Wrestling	481	(478)	3,557	3,495	65
Cross Country	1,603	730	1,104	320	3,117
Girls' Basketball	1,717	2,215	4,126	6,385	1,673
Boys' Basketball	614	1,656	6,297	5,477	3,090
Girls' Softball	2,338	955	1,639	4,874	58
Girls' Track	388	1,460	1,727	3,576	(1)
Girls' Volleyball	6,056	500	8,696	8,680	6,572
Instrumental Music	11,369	(10)	15,269	17,560	9,068
Soda	(63)	1,138	1,815	2,193	697
Vocal Music	1,802	486	5,898	7,596	590
Speech	(129)	231	-	257	(155)
3 Act Play	715	986	497	1,619	579
Future Farmers of America	2,874	(1)	31,796	28,351	6,318
Quiz Bowl	(35)	50	-	-	15
National Honor Society	187	-	-	108	79
Cheerleading	881	2,346	14,295	12,508	5,014
Spanish Club	591	409	-	-	1,000
Student Council	703	205	922	457	1,373
Art Club	660	1,290	10,662	11,887	725
Girls' Tennis	647	635	230	935	577
Boys' Tennis	(249)	1,090	-	705	136
Class of 2007	267	(267)	-	-	-
Class of 2008	728	(728)	-	-	-
Class of 2009	3,426	449	262	2,844	1,293
Class of 2010	558	(75)	7,314	5,185	2,612
Class of 2011	169	-	540	331	378
Class of 2012	-	-	625	55	570
Class of 2013	-	-	72	-	72
Future Educators of America	470	410	117	550	447
Girls' Golf	98	865	149	562	550
Octagon Club	550	-	-	520	30
High School Academics	5,389	(104)	9,729	9,851	5,163
HS Milk	252	240	-	378	114
HS Miscellaneous	(636)	636	65	53	12
HS Letterjackets	-	(100)	3,245	2,487	658

Schedule 3

Davis County Community School District
Schedule of Changes in Special Revenue Fund, Student Activity Accounts
Year ended June 30, 2009

Account	Balance Beginning of Year	Intrafund Transfers	Revenues	Expenditures	Balance End of Year
Home Ec Labs	(48)	1,057	2,977	2,365	1,621
IA Science Club	506	-	410	794	122
Dollars For Scholars	-	-	4,135	3,000	1,135
Guidance	1,158	128	-	1,286	-
Boys' Golf	1,185	-	441	433	1,193
Subtotal	95,993	(1,037)	263,533	242,202	116,287
Middle School					
Athletics	3,156	48	9,082	9,993	2,293
Vocal Music	1,830	1	2,982	2,024	2,789
Instrumental Music	(456)	1,064	214	712	110
Student Council	436	1,105	1,464	2,376	629
Yearbook	5,202	-	3,972	3,458	5,716
7th/8th Football	129	-	1,035	-	1,164
7th/8th Girls Basketball	2,187	(1)	-	54	2,132
7th/8th Boys' Basketball	490	1	20	95	416
Cross Country	150	-	12	-	162
Girls' Track	129	-	-	-	129
8th Volleyball	198	-	45	155	88
Wrestling	28	-	-	-	28
Student Council Pop Cans	337	(297)	60	-	100
Middle School Academics	10,711	(110)	14,793	16,232	9,162
Middle School Milk	2,052	(540)	9,805	6,549	4,768
Mutchler Rental	918	-	287	-	1,205
Gifted/Talented	965	-	908	1,101	772
Subtotal	28,462	1,271	44,679	42,749	31,663
Bloomfield Elementary					
Academics	32,246	(234)	7,966	6,463	33,515
Elementary Pop	230	-	-	-	230
Home School	265	-	895	934	226
Small Steps Supplies	-	-	1,005	1,005	-
Interest	170	-	-	-	170
Subtotal	32,911	(234)	9,866	8,402	34,141
Total	\$ 157,366	-	318,078	293,353	182,091

See accompanying independent auditor's report.

Schedule 4

Davis County Community School District
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Eight Years

	Modified Accrual Basis			
	2009	2008	2007	2006
Revenues:				
Local sources:				
Local tax	\$ 3,912,580	3,661,556	3,759,205	3,692,023
Tuition	450,219	476,889	523,010	600,186
Other	530,792	467,508	445,742	403,411
State sources	6,539,708	5,914,312	5,810,933	5,515,711
Federal sources	761,386	690,483	786,793	1,029,880
Total	<u>\$ 12,194,685</u>	<u>11,210,748</u>	<u>11,325,683</u>	<u>11,241,211</u>
Expenditures:				
Instruction:				
Regular	\$ 5,670,214	5,323,249	5,067,509	4,937,473
Special	1,430,994	1,393,701	1,234,633	1,385,202
Other	474,335	457,030	426,860	437,152
Support services:				
Student	261,647	300,165	283,987	257,427
Instructional staff	180,304	150,229	161,232	126,382
Administration	1,432,204	1,474,623	1,413,251	1,436,205
Operation and maintenance of plant	718,539	723,406	691,604	619,083
Transportation	789,870	919,032	805,241	709,096
Food service operations	-	-	-	3,690
Other expenditures:				
Facilities acquisition	793,262	252,576	363,879	684,979
Long-term debt:				
Principal	255,000	250,000	245,000	245,000
Interest and other charges	172,939	14,527	20,138	25,620
AEA flowthrough	422,045	395,919	371,339	355,258
Total	<u>\$ 12,601,353</u>	<u>11,654,457</u>	<u>11,084,673</u>	<u>11,222,567</u>

See accompanying independent auditor's report.

Schedule 4

2005	2004	2003	2002
3,298,803	2,868,349	2,905,572	2,890,837
560,369	426,545	369,288	281,188
374,513	370,043	347,262	412,444
5,588,939	5,174,073	5,290,080	5,243,622
1,390,813	649,006	673,138	484,832
11,213,437	9,488,016	9,585,340	9,312,923
4,061,128	3,836,553	3,514,299	3,443,224
2,012,697	1,783,994	1,579,726	1,518,410
1,011,658	806,413	816,751	726,947
275,258	229,569	190,222	209,942
270,315	263,706	231,455	300,584
1,264,451	990,996	943,032	968,571
617,424	605,722	565,106	589,564
619,903	597,750	534,063	622,570
8,241	8,055	9,300	8,308
1,169,972	214,957	31,572	18,250
240,000	240,000	205,000	205,000
29,990	36,070	77,360	84,898
355,649	342,137	367,023	366,645
11,936,686	9,955,922	9,064,909	9,062,913

Schedule 5

Davis County Community School District
Schedule of Expenditures of Federal Awards
Year ended June 30, 2009

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
Team Nutrition Grant	10.574	FY09	\$ 14
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY09	31,102
National School Lunch Program	10.555	FY09	221,355
			<u>252,457</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY09	314,167
Career and Technical Education - Basic Grants to States	84.048	FY09	22,836
Improving Teacher Quality State Grants	84.367	FY09	102,730
ARRA - State Fiscal Stabilization Fund (SFSF)- Recovery Act	84.394	FY09	98,823
Safe and Drug-Free Schools and Communities - State Grants	84.186	FY09	6,563
Enhancing Education Through Technology	84.318	FY09	1,500
Grants for State Assessments and Related Activities	84.369	FY09	7,852
Area Education Agency:			
Special Education - Grants to States	84.027	FY09	66,548
Total			<u>\$ 873,490</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Davis County Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



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CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

To the Board of Education of
Davis County Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Davis County Community School District, Bloomfield, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated October 20, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Davis County Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Davis County Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Davis County Community School District's internal control over financial reporting.

A *control deficiency* exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Davis County Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Davis County Community School District's financial statements that is more than inconsequential will not be prevented or detected by Davis County Community School District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Davis County Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Davis County Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Davis County Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Davis County Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Davis County Community School District and other parties to whom Davis County Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Davis County Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Van Maanen, Sietstra & Meyer, PC

Van Maanen, Sietstra & Meyer, PC
Certified Public Accountants

October 20, 2009



**Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133**

To the Board of Education of
Davis County Community School District:

Compliance

We have audited the compliance of Davis County Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Davis County Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Davis County Community School District's management. Our responsibility is to express an opinion on Davis County Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Davis County Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Davis County Community School District's compliance with those requirements.

In our opinion, Davis County Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Davis County Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Davis County Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Davis County Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. We identified no deficiency in internal control over compliance that we consider to be a material weakness.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We noted no significant deficiency in internal control over compliance that we consider to be a material weakness.

Davis County Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the District's responses, we did not audit Davis County Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Davis County Community School District and other parties to whom Davis County Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Van Maanen, Sietstra & Meyer, PC

Van Maanen, Sietstra & Meyer, PC
Certified Public Accountants

October 20, 2009

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) No significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) Major programs were as follows:
 - CFDA Number 84.010 - Title I Grants to Local Educational Agencies
 - Clustered programs:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
- (g) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (h) Davis County Community School District qualified as a low-risk auditee.

Part II: Findings Related to the Financial Statements

INSTANCES OF NON-COMPLIANCE

No matters were noted.

SIGNIFICANT DEFICIENCIES

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards

INSTANCES OF NON-COMPLIANCE

No matters were noted.

SIGNIFICANT DEFICIENCIES

No matters were noted.

Part IV: Other Findings Related to Required Statutory Reporting

- IV-A-09 Certified Budget - Expenditures for the year ended June 30, 2009, exceeded the certified budget amounts in the instruction and non-instructional functional areas.
- Recommendation - The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.
- Response - Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.
- Conclusion - Response accepted.
- IV-B-09 Questionable Expenditures - No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-C-09 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-09 Business Transactions – No business transactions between the District and District officials or employees were noted.
- IV-E-09 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- IV-F-09 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- IV-G-09 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-H-09 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.
- IV-I-09 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.
- IV-J-09 Categorical Funding – No instances were noted of categorical funding used to supplant rather than supplement other funds.

Davis County Community School District
Schedule Of Findings And Questioned Costs
Year Ended June 30, 2009

IV-K-09 Statewide Sales and Services Tax – No instances of non-compliance with the use of the statewide sales and services tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. For the year ended June 30, 2009, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Beginning balance	\$	-
Statewide sales and services tax revenue		860,635
Expenditures/transfers out:		
School infrastructure:		
Facilities acquisition and construction	604,976	
Debt service for school infrastructure		
General obligation debt	255,659	860,635
		<hr/>
Ending balance	\$	<hr/> <hr/> -